THE GEORGE WASHINGTON UNIVERSITY
Washington, DC
20052

MINUTES OF A SPECIAL MEETING
OF THE FACULTY SENATE HELD ON
APRIL 3, 1992, IN LISNER HALL
ROOM 603

The meeting was called to order by Vice President French at 1:05 p.m.

Present: Vice President French, Registrar Gaglione, Carson, Divita, Felts, Garris, Griffith, Gupta, Hill, Holmes, Maddox, Mahmood, Miller, Morgan, Park, Parke, Pock, D. Robinson, L. Robinson, Schiff, Silber, Smythe, Vontress, and Wirtz

Absent: President Trachtenberg, Parliamentarian Schechter, Belknap, Burdetsky, East, Friedenthal, Gilmore, Giordano, Harrington, Keimowitz, Kenny, P. Smith, and S. Smith

I. DISCUSSION OF UNIVERSITY'S PROPOSED CONTRIBUTIONS TO HEALTH CARE PLANS AND RETIREMENT PROGRAM; WALTER M. BORTZ, VICE PRESIDENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

Vice President Bortz distributed two handouts (attached). The first reflected a correction in the Health Insurance Rates, and the second a change in the Retirement Plan. With reference to the Health Insurance Plans, he pointed out that the category of "employee plus one" is now a BC/BS PPO option. It was not added to BC/BS Indemnity or Capital Care because so few people who would be eligible for E+1 utilize those plans as compared to the PPO plan. He also noted that the premium rates are locked in for eighteen months which means that there will be no change in the premium to the employee. He pointed out that the institution is self-insured and collectively with the employee bears the burden of the cost of health care. The eighteen-month period will move the University into an annual calendar cycle by January, 1994, which, among other things, will help the employee in planning, particularly for Flex Fund purposes.

Professor Griffith asked what would happen should the projected utilization be higher than the calculation of the premiums, i.e., would that amount then be added to the premium factor in the next period or would it be an out-of-pocket payment by the University? Vice President Bortz replied that there is a 110% cap on liability. Therefore, the University's liability is the excess between the 100% and 110%. This dollar figure is getting larger and larger as premiums grow. Professor Griffith asked if Blue Cross/Blue Shield was at risk for some portion of the utilization that might go beyond 110%, and Vice President Bortz replied that while BC/BS is a pooled risk, ultimately the

University, as a self-insured entity, is liable.

Professor Pock asked why the BC/BS premium for the Indemnity Individual Plan has tripled, while the Family Plan has only doubled. Vice President Bortz said that it has to do with the utilization of health care by individuals within that plan. In the past, those people participating in the PPO plan have actually been underwriting the health experience of those people in the indemnity program. There was a very strong feeling expressed by Senators and BRC members that the individuals who are participating in the indemnity program with their various options need to be able to bear the expense of those plans, and the rates reflect the utilization of those groups.

Further discussion followed by Professors Silber, Garris, Gupta, and Vice President Bortz.

Vice President Bortz then turned to the second handout which indicated a change in the University's matching contribution to the employee retirement plan. He said that the recommendation of the Benefits Review Committee to change from a 10% non-contributory plan to a 4% non-contributory plan with an additional 1-for-1 matching program up to a total of 6%, has been carefully reviewed by the President. In order to attract and encourage as many people as possible to participate in the matching portion of the retirement plan, President Trachtenberg requested that GW's match be changed to a 3-for-2 match. For the individual who contributes 1% of his or her salary, the University would contribute 1-1/2% up to 6%. Vice President Bortz said that Foster Higgins, the University's consultants on retirement plans, believes that the utilization rate of this particular program will probably be somewhere around the 7.9%-8.0% base pay level as compared with the current 10% level. Currently, he said, all institutional money is contributed to the TIAA/CREF 403(a) Retirement Program. A number of people contribute to the Supplemental Retirement Account (SRA) which is a 403(b) Program. The IRS rules and regulations preclude an individual from making more than one change in the amount of contributions to the SRA 403(b) Program during the plan year (January through December) although an individual can elect to stop contributions to the program at any time. The Benefits Review Committee is in the process of trying to determine whether the University could have open enrollment of the retirement plan in such a way that participation in July could include the entire University community. Any changes an individual wished to make to the SRA 403(b) Program could be made mid-year thereby permitting everyone to participate in the retirement plan at his or her maximum level. If it is not possible to somehow hold people harmless in terms of their ability to contribute matching funds, then open enrollment for the retirement program could be delayed while the proposed changes in the health insurance plan could continue as outlined.

Professor Griffith asked what impact this change would have on the dual structure of the present retirement plans. Vice President Bortz replied that while this still had to be addressed by legal counsel and TIAA/CREF, it appears at this time that employees may be able to continue to use both the current 403(a) and 403(b) plans. Professor Morgan inquired whether the maximum contribution of 14% would have to be made to TIAA/CREF. Vice President Bortz said that there were two recommendations under consideration, as follows:

(1) <u>New Programs as of July 1, 1992 (or January 1, 1993)</u>:

The University's 4% base contribution will be made to TIAA/CREF. It is not eligible for cashability or transferability ever. Both the University's match and the individual's match may be assigned to TIAA/CREF, Vanguard, Fidelity, Equitable or any other University-approved group member plan with transferability available at any time between and among funds that are permitted by the individual carrier. Cashability of these funds, and these matching funds only, is available at retirement or age 59-1/2, whichever occurs later.

(2) <u>Old Moneys and Contracts</u>:

Cashability and transferability are unavailable for the University's contribution. With regard to the individual's contribution, transferability is permitted within and among TIAA/CREF, Vanguard, Fidelity and Equitable. Cashability is permitted only at the time of retirement or age 59-1/2, whichever occurs later.

In all cases, for new programs and old programs, at the point of total disability, an employee may have access to funds in a manner equal to availability for employees at retirement.

Vice President Bortz said that these recommendations were a compromise that represents the BRC's attempt to address the cashability issue. However, they must be carefully reviewed by legal counsel, the ASPP Committee, and the President. He said that until Court decisions are handed down on the legal implications of cashability, we may not want to put these recommendations into effect.

Professor Maddox said that it seemed to him that lower-paid employees were being asked to give up retirement benefits to pay for health benefits for everyone. Vice President Bortz pointed out that the University was moving toward a cafeteria plan for all benefits that would help address this matter. Professor Carson said it was clear that this plan would reduce the benefits of the lower-paid employees--if an employee cannot afford to make

a matching contribution of 4%, then that individual will lose GW's 6% match to get the full 10%, and would gain only a 1-1/2% benefit for health care. Professor Wirtz said that while he understood the present GW contribution of 10% was too expensive, at least it was across-the-board. He suggested a 5% retirement benefit across-the-board and a 5% contribution toward the health plan as a way of not disadvantaging lower-paid employees.

Professor Morgan viewed the total retirement package as a very generous retirement program for lower-paid employees, far in excess of what they could achieve in most alternative employment elsewhere.

Further discussion followed by Professors Silber, Carson, Wirtz, Gupta, Maddox, and Vice President Bortz.

II. A RESOLUTION TO ENDORSE A NEW PERCENTAGE FORMULA FOR BASE AND MATCHING CONTRIBUTIONS TO THE UNIVERSITY'S RETIREMENT BENEFITS (91/8), WITH ACCOMPANYING REPORT

On behalf of the Committee on Appointment, Salary and Promotion Policies, Professor Hill, Chair, moved the adoption of "A Substitute Resolution on Fringe Benefits Reallocation (91/8)," copies of which had previously been distributed. The motion was seconded. Professor Hill then moved that the Senate take up this resolution at this time. The motion was seconded and passed by the Senate.

Professor Hill explained that the purpose of this substitute resolution was to secure the Senate's endorsement of two proposals: one, that the reallocation of benefit dollars from the retirement plan to health care premiums is appropriate and necessary; and, two, that any savings affected by this reallocation will not disappear into the General Fund, but rather will be reserved to stabilize the cost of health care insurance. Professor Hill said that another purpose of this resolution has to do with faculty being consulted. There is no point in being consulted, Professor Hill said, unless there is a reaction, and the most tangible results of consultation with the faculty are Faculty Senate resolutions. The substitute resolution is a response to the very close collaboration that has taken place for the past six months between Vice President Bortz's Benefits Review Committee and the Senate's Committee on Appointment, Salary and Promotion Policies Committee. This collaboration, he said, attests to the openness of the administration to receive advice on matters that are not academic, and subject to management-type decisions, but the faculty has been consulted nevertheless. Professor Hill urged the adoption of the substitute resolution.

Professor Divita, as a point of clarification, moved that the words "in future years" be added after the word "premiums" in the last line of the Second RESOLVING clause, and the motion was

seconded. Professor Hill accepted the amendment as a friendly amendment. Professor David Robinson voiced his concern that by endorsing this resolution, the Senate would be endorsing essentially a reduction in the total fringe benefit package, but what the Senate is really intending to endorse is a reallocation. Professor Robinson then moved to amend the resolution by making the Second RESOLVING clause a proviso of the First RESOLVING clause, so that the same would read:

> That given the University's intention to increase its monthly contributions to the steadily rising cost of health insurance, the Faculty Senate accepts the formula by which the University's contributions to retirement programs will be correspondingly reduced; provided that any present and future "savings" realized from such reductions be retained within the pool of fringe benefits, specifically committed to the stabilization of health insurance premiums in future years.

The motion was seconded, and accepted by Professor Hill as a friendly amendment.

Professor Park, speaking to the substance of the resolution, voiced his concern about the need to link the reduction in retirement benefits to the health insurance benefits. As employees, he said, we would expect the University to increase its contribution to health benefits in any case because all the private sector employers are faced with the same problem. To justify a retirement benefit reduction on the basis of a one-time move of budgetary funds to health insurance seemed to make no sense. Further, the language of the resolution is open-ended in that it states that "the Faculty Senate strongly recommends that any present and future 'savings' realized from such reductions be retained within the pool of fringe benefits, specifically committed to the stabilization of health insurance premiums in future years." Professor Park asked whether the Senate really intended to say to the administration that if in the future they may wish to reduce retirement benefits further, that that reduction has the Senate's approval, as long as those monies are diverted to health care. Professor Pock said that it seemed to him that the phrase "such reductions" is delimited by the subject matter, and the Senate would be approving one new specific scale. Professor Morgan moved to amend the language to substitute the words "this reduction" for the words "such reductions," so that the same would read: "any present and future 'savings' realized from this reduction be retained within the pool of fringe benefits. . . ." The motion was seconded, and accepted by Professor Hill as a friendly amendment.

A discussion followed by Professors Felts, Griffith, Park, Divita, Carson, David Robinson, Morgan, Hill, Lilien Robinson, and Vice President Bortz.

The question was called, and Substitute Resolution 91/8, as amended, was adopted. (Substitute Resolution 91/8, as amended, is attached.)

ADJOURNMENT

Upon motion made and seconded, Vice President French adjourned the Special Meeting at 2:30 p.m.

J. Matthew Gaglione
Secretary

Disti uted by Vice President Bortz at the Spec 1 Meeting of the Faculty Senate, April 3, 1992

CORRECTED HEALTH INSU NCE RATES

George Washington University Health Insurance Rates

July 1, 1992

		Total Premium		Employee Premium	
Plan	# Participants	Current '91-92	Projected 7-1-92 to 12-31-93 3,000 OPM on PPO	Current '91-92	Projected 7-1-92 to 12-31-93 3,000 OPM on PPO
BC/BS PPO Individual	1615	S 113.15	$ 150.00	$ 0.00	$ 0.00
BC/BS PPO Family	460(292)*	258.30	309.80	145.15	159.80
BC/BS PPO E+1	(168)*	N/A	240.15	N/A	90.15
BC/BS Indemnity Individual	458	207.57	411.95	94.42	261.95
BC/BS Indemnity Family	176	577.39	1,023.33	464.24	873.33
BC/BS Indemnity E+1	0	N/A	N/A	N/A	N/A
Capital Care Individual	662	156.35	211.34	43.20	61.34
Capital Care Family	220	405.15	518.55	292.00	368.55
Capital Care E+1	0	N/A	N/A	N/A	N/A
GWUHP Standard Individual	553	134.45	170.20	21.30	20.20
GWUHP Standard Family	143	329.71	380.77	216.56	230.77
GWUHP Standard Employee & Dependent	104	285.72	330.64	172.57	180.64
GWUHP High Individual	1148	152.38	195.10	39.23	45.10
GWUHP High Family	200	376.30	435.79	263.15	285.79
GWUHP High Employee & Dependent	164	326.84	379.14	213.69	229.14
GHA Comprehensive Individual	112	150.40	194.80	37.25	44.80
GHA Comprehensive Family	53	377.70	419.90	264.55	269.90
GHA Comprehensive Plus Individual	138	175.20	225.25	62.05	75.25
GHA Comprehensive Plus Family	30	432.20	482.00	319.05	332.05
Total GWUHP/GHA	2645				
TOTAL	6236				

*Estimated # of part for 3 tier rates

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Revised: March 31, 1992

Distributed by Vice President Bortz at the Special Meeting of the Faculty Senate, April 3, 1992

REVISED PLAN

The Plan

The University will restructure its retirement plan benefits from its current 10 percent, non-contributory, 403(a) plan to a 4 percent base with a two to three match, with a limit of 6 percent in a combination of 403(a) and 403(b) plans. All other aspects of the benefit remain the same as the current plan including credited service, eligibility, vesting, loans and in-service withdrawals.

The base contribution for all eligible employees who complete the necessary documents for participation will be 4 percent. All participating employees will be eligible for a matching contribution of 3 for 2, as indicated in the chart below. Faculty and staff taking full advantage of this program will, therefore, apply the equivalent of 14 percent to their retirement accounts with a possible 10 percent maximum contribution from the University.

GW Contr.	GW Match 1.5% for 1% to Max of 6%	Indiv. Contr.	Total GW Contr.	Total GW & Indiv.
4.0%	0%	0%	4.0%	4.0%
4.0%	1.5%	1.0%	5.5%	6.5%
4.0%	3.0%	2.0%	7.0%	9.0%
4.0%	4.5%	3.0%	8.5%	11.5%
4.0%	6.0%	4.0%	10.0%	14.0%

Cost

Adoption of this revised program is estimated to cost about $12.1 million or 7.91 percent of *base* pay in 1992; a savings of about $3.2 million. Foster Higgins has opined that this plan will meet the ACP test, which is the nondiscrimination test for matching plans. These results are based on the following assumptions:

- Base payroll of $153 million, and total pay of $172.1 million
- The same plan participation rates as in 1988; separate rates were used for
  - Faculty and staff
  - Highly and non-highly compensated employees
- Employees either don't contribute at all, or contribute 4 percent of pay

[Any inquiries about this resolution should be directed to Professor Hill, Chair, ASPP Committee, Ext. 4-6761.]

A SUBSTITUTE RESOLUTION ON FRINGE BENEFITS REALLOCATION (91/8)

WHEREAS, today the Faculty Senate will have heard the Administration's proposals for reallocating the University's fringe benefits dollars from retirement to health insurance (without reducing its total contribution); and

WHEREAS, the Senate Committee on Appointment, Salary, and Promotion Policies has, after lengthy study, concurred in the perceived needs and principles underlying these proposals: NOW, THEREFORE

BE IT RESOLVED BY THE FACULTY SENATE OF THE GEORGE WASHINGTON UNIVERSITY

~~(1)~~ THAT given the University's intention to increase its monthly contributions to the steadily rising cost of health insurance, the Faculty Senate accepts the formula by which the University's contributions to retirement programs will be correspondingly reduced; ~~further,~~ provided that

~~(2)-THAT-the-Faculty-Senate-strongly-recommends-that~~ any present and future "savings" realized from ~~such~~ this reduction~~s~~ be retained within the pool of fringe benefits, specifically committed to the stabilization of health insurance premiums~~,~~ in future years.

Committee on Appointment, Salary, and Promotion Policies
(including Fringe Benefits)
April 3, 1992

Adopted, as amended, April 3, 1992

THE GEORGE WASHINGTON UNIVERSITY
Washington, DC
20052

THE FACULTY SENATE

March 23, 1992

There will be a Special Meeting of the Faculty Senate on **Friday, April 3, 1992, at 1:00 p.m. in Lisner Hall 603,** called by the President at the request of the Executive Committee as directed by the Faculty Senate, for the purpose of discussion of the University's proposed contributions to the Health Care Plans and Retirement Program and consideration of Resolution (91/8) submitted by the Committee on Appointment, Salary, and Promotion Policies (including Fringe Benefits) regarding this matter.

AGENDA

1. Call to order

2. Discussion of University's Proposed Contributions to Health Care Plans and Retirement Program; Walter M. Bortz, Vice President for Administrative and Information Services (supporting information is attached)

3. A RESOLUTION TO ENDORSE A NEW PERCENTAGE FORMULA FOR BASE AND MATCHING CONTRIBUTIONS TO THE UNIVERSITY'S RETIREMENT BENEFITS (91/8), with accompanying Report; Professor Peter P. Hill, Chair, Committee on Appointment, Salary, and Promotion Policies (including Fringe Benefits) (Resolution 91/8 and Report are attached)

4. Adjournment

J. Matthew Gaglione

J. Matthew Gaglione
Secretary

The George Washington University
WASHINGTON DC

OFFICE OF THE VICE PRESIDENT
FOR ADMINISTRATIVE AND INFORMATION SERVICES

TO: Stephen Joel Trachtenberg

FROM: Walter M. Bortz

DATE: March 23, 1992

SUBJ: Retirement Benefit

This memo is an addendum to my memo to you of March 11, 1992 concerning the Benefits Review Committee's recommendation on the retirement benefit.

A recent ruling by the IRS permits colleges and universities to continue their practice of immediate participation in TIAA/CREF programs for staff and faculty <u>if</u> those individuals had been involved in a similar program with their previous institution.

I recommend we continue the eligibility stipulations of two years of service and 21 years of age until we are required, by law, to change. At the moment, this safe harbour has been extended for three years until at least 1995. It is conjectured that this extension could be made permanent.

If you agree, then the only change to our program will be the change in our base from ten percent (10%) to four percent (4%) and the addition of the 1:1 match up to six percent (6%) for all eligible employees.

I have attached a revised memo altering the March 11, 1992 recommendation to reflect this recent development.

kjh

Attachment

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The George Washington University
WASHINGTON DC

OFFICE OF THE VICE PRESIDENT
FOR ADMINISTRATIVE AND INFORMATION SERVICES

TO: Stephen Joel Trachtenberg

FROM: Walter M. Bortz

DATE: March 23, 1992

SUBJ: Benefits Review Committee Recommendation (Revision of March 11, 1992 memo)

The Benefits Review Committee, after considerable deliberation, is recommending a change to the University's retirement program. There are several reasons underlying this recommendation.

1) The current benefit [a 10 percent, non-contributory program in which all employees with more than two years of service (employees with previous experience in educational institutions may begin benefit on date of employment) and at least twenty-one years of age are eligible], was developed in 1988 (effective January 1989) and was a reaction to the changes in the Tax Act of 1986 which required the review of the tax exempt status of non-profit organizations' retirement programs. This program replaced a previous participatory 2 for 1 match program in which the University matched 1 percent of employee salary contribution with 2 percent to a maximum University contribution of 10 percent. These types of retirement programs are now required to meet certain economic non-discrimination criteria. We must prove through the application of specific formula, that less highly compensated employees and more highly compensated employees not only have the opportunity to participate more or less equally in the benefit but also take advantage of the opportunity. The change in the retirement program which was made in 1988 to meet the requirements of the Tax Act have, after careful review, proven to be more expensive than initially anticipated and in excess of what the law mandated.

2) The University changed its retirement plan effective January 1989 to ensure that all employees received a "similar" benefit. The object was to provide adequate funds at retirement so that a former employee might be able to live in retirement absent financial hardship. However, because of the nature of social security with its cap in monthly benefit payments and level of contribution of 12+ percent divided between the employee and University, a less highly compensated employee's payment at retirement from social security will represent a higher percentage of available retirement income than a more highly compensated employee. In fact, because of social security payments and the amount of salary contributed on behalf of an employee by the University, a less highly compensated, long-term employee

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participating at the maximum level in the University's retirement program could easily receive the equivalent of more than 100 percent of final pay as a total retirement benefit.

It is for this reason that a 4 percent base contributed by the University on behalf of all eligible employees seems a more reasonable retirement benefit. Those who can take advantage of the matching contributions suggested in this recommendation should and will be able to build their retirement program more. However, those who feel they cannot contribute additional monies will still be able to enjoy an adequate income at retirement through a combination of social security and the accumulations from the 4 percent base non-participatory contribution.

3) The overall employee benefit rate, in spite of efforts to limit its growth, has exceeded 24 percent and is very close to 25 percent (fringe benefits for sponsored programs is budgeted at 24.6 percent for 1991-92). This growth in employee benefits is limiting the ability of the University to address other compensation issues. Institutionally, a 25 percent limit appears to be reasonable for employee benefit rates. (It is important to note that annual leave holidays and sick leave are <u>not</u> included in these rates. It is estimated that leave would add approximately 13 percent to this figure.) The Committee, in struggling with a significant increase in health insurance premiums during the last several years, believes a reallocation of benefit dollars from the retirement benefit to the health insurance benefit is appropriate, desirable, and necessary at this time. The utilization of health care by our employees and the continuing increase in health care costs across the nation have driven up our expense for this benefit at an alarming rate and to alarming levels. The total premium now required and that portion of the premium paid by our employees has the potential of adversely affecting our population and our ability to remain competitive in the marketplace. For this reason, the Benefits Review Committee has elected to recommend a reallocation of dollars within our current employee benefit rate of 24+ percent from the retirement benefit to the health insurance benefit.

This memo addresses changes to the Retirement Benefit. It should be noted, however, that the driving force behind this recommendation is not a recommendation for an overall reduction in fringe benefits, but for a careful and deliberate **reallocation** of one benefit to another.

The Benefits Review Committee recommends that the following retirement program be instituted at the earliest possible date:

The base contribution for all eligible employees who complete the necessary documents for participation will be 4 percent. All participating employees will be eligible for a matching

contribution of 6 percent in 1 percent increments. Faculty and staff taking full advantage of this program will, therefore, apply the equivalent of 16 percent to their retirement accounts. (See chart below.)

GW Contr.	**GW Match 1% for 1% to Max of 6%**	**Indiv. Contr.**	**Total GW Contr.**	**Total GW & Indiv.**
4%	0%	0%	4%	4%
4%	1%	1%	5%	6%
4%	2%	2%	6%	8%
4%	3%	3%	7%	10%
4%	4%	4%	8%	12%
4%	5%	5%	9%	14%
4%	6%	6%	10%	16%

I have been asked to present a minority opinion that has arisen during our review:

Essentially, we are increasing the total amount of contributions to the TIAA/CREF program for all faculty and staff who elect to participate at the maximum amount from 10 percent to 16 percent. It should be noted that approximately 20 percent of our faculty and staff participate in a supplemental program which exceeds the institution's current 10 percent contribution. However, the great majority of these individuals are placing their funds into a retirement vehicle, either Vanguard, Equitable or TIAA/CREF SRA, where cashability and transferability are permitted. This new retirement program will require a 16 percent contribution to a vehicle which does not have cashability. While it is hoped that this cashability issue may be addressed in the future when it is more clear how the law will treat these funds and their availability to address future liability of plan participants, it is a concern which has been discussed at length.

These recommendations are being submitted to you and simultaneously passed along to the ASPP Committee of the Faculty Senate, a procedure agreed upon by all of us. Several members of the ASPP Committee are members of the BRC and there has been constant, helpful and timely exchanges of opinion, information and recommendations between the BRC and the ASPP Committee in arriving at this recommendation. I expect that a comment on this recommendation will be forthcoming shortly from the Faculty Senate.

kjh

The George Washington University
WASHINGTON DC

OFFICE OF THE VICE PRESIDENT
FOR ADMINISTRATIVE AND INFORMATION SERVICES

TO: President Trachtenberg, Vice Presidents Bowles, Chernak, French, Katz, Worth

FROM: Walter M. Bortz

DATE: March 23, 1992

SUBJ: Reallocation of Benefits

It appears to have been generally agreed upon by our community that it is appropriate at this time to reallocate benefits in order to provide additional monies for health care costs. The greatest benefit expense and therefore the largest target for redistribution at this time is the retirement benefit. The following information outlines the changes to the retirement and health care benefits that we estimate will provide $3 million from retirement to cover an additional $2 million expenditure in health care. You will note the $1 million or 33 percent cushion built into our estimates. This safety factor is required because of the nature of the assumptions we are making. If future experience proves otherwise, then these monies will be available for other redistribution within the benefits portfolio.

I. The current retirement benefit is budgeted in 1991-92 at $17,500,000. The provision of the "new" plan will reduce this expenditure by some level. At this time, we are estimating the changes in the plan to reduce the expenditures by 17 percent or $3 million. This is derived by applying the following logic.

1) The reduction from a 10 percent base to a 4 percent base has an impact of reducing the $17,500,000 to $7,000,000.

2) Using the application of percentages operating prior to January 1989, it is estimated that the majority of employees earning more than $63,000 (defined as more highly compensated individuals) will contribute an additional 6 percent in order to receive a maximum match from the University. It is also estimated that only 50 percent of the less than highly compensated employees will contribute any additional monies for a match. The match on these calculations yields an expenditure of $7.5 million, which, when added to the 4 percent base equates to a total of $14.5 million.

3) We assume a constant work force of approximately 6,500 full-time employees with approximately 4,300 - 4,500 eligible for the retirement benefit at any one time.

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II. The current health insurance benefit level of expenditure for 1991-92 is estimated to be $8,520,000. This represents a payment of $113.15 per month by the University on behalf of each eligible employee. In addition, a prorated amount is paid on behalf of eligible regular part-time employees and $40 per month on behalf of retirees.

An increase to $150 per month by the University to be paid on behalf of employees is equivalent to an expenditure of approximately $10,600,000 for an increase of $2 million.

1) This increase in premium is based upon the figures on the attached chart.

2) The deductible for the PPO remains at $750 but the total out-of-pocket has been changed to an individual limit of $3,000 and a family limit of $9,000. This $750/$3,000/$9,000 scenario is reduced from its current levels of $750/$3,750/$11,250.

3) These premiums are based upon 18 month contracts with our carriers! This contract locks us into a known premium for this entire period, permits maximum planning for employees in utilizing the flexible spending account and cycles the institution, for individual tax purposes, on to a calendar year change in the premium in the future.

For your information, each $1.00 of premium paid by the University on behalf of all eligible employees costs approximately $55,000. Obviously, significant movement of individuals from one plan to another will alter the utilization of the groups and affect future premiums. If we experience a large shift from the BC/BS Indemnity to the BC/BS PPO or elsewhere, other than what we have anticipated, it may adversely affect future changes in the PPO groups utilization statistics and thereby increase this premium.

kjh

Attachment

THE GEORGE WASHINGTON UNIVERSITY
STAFF BENEFIT RATES (Regular Employees)
PROJECTED 1991-92

STAFF BENEFIT EXPENSES

Death Benefit	$ 77,500
Disability Insurance	777,000
Disability Payments	217,000
Flex Fund Administration	35,000
Group Life Insurance	850,000
Health Insurance	9,400,000
Major Health Insurance	-0-
Pension Payments	190,000
Social Security Taxes	16,856,000
TIAA-CREF Contributions	17,525,000
Tuition Awards	8,650,000
Unemployment Compensation	810,000
Workers Compensation	1,426,487
TOTAL EXPENSES	56,813,987

Salary and Wage Base	236,760,000
Benefit Rate	24%
Estimated Expenses for Holiday, Sick and Annual Leave	30,800,000
Leave Rate	13%
TOTAL BENEFITS RATE	37%

Annual Costs: (Univ. Contributes $150/month for period of 7/1/92 to 12/31/93)

	Current	92-93 OPM 3,000
Total	15.42	19.28
Employee	6.90	8.67
University	8.52	10.61

Notes:	6,236	Employees
	-1,615	are in Individual PPO
	4,621	Employees who would feel effect of University increase in contribution

For every $1 more in University contribution, it cost GW $55,000/year approximate.

If people drop out of indemnity, we'll be "short" in total premium to BC/BS. May have to increase PPO & Capital Care in anticipation of <u>many</u> dropouts.

George Washington University Health Insurance Rates

Plan	# Participants	Total Premium		Employee Premium	
		Current '91-92	Projected w/3 tier rates 3,000 OPM on PPO 7-1-92 to 12-31-93	Current '91-92	Projected w/3 tier rates 3,000 OPM on PPO 7-1-92 to 12-31-93
BC/BS PPO Individual	1615	$ 113.15	$ 110.07	$ 0.00	$ 0.00
BC/BS PPO Family	460/292*	258.30	319.22	145.15	159.80
BC/BS PPO E+1	168*	N/A	220.15	N/A	90.15
BC/BS Indemnity Individual	458	207.57	408.37	94.42	261.95
BC/BS Indemnity Family	176/120*	577.39	1,184.27	464.24	990.27
BC/BS Indemnity E+1	56*	N/A	816.74	N/A	673.90
Capital Care Individual	662	156.35	209.25	43.20	61.34
Capital Care Family	220/189*	405.15	606.83	292.00	395.05
Capital Care E+1	31*	N/A	418.50	N/A	272.68
GWUHP Standard Individual	553	134.45	154.16	21.30	20.20
GWUHP Standard Family	143	329.71	380.77	216.56	230.77
GWUHP Standard Employee & Dependent	104	285.72	330.64	172.57	180.64
GWUHP High Individual	1148	152.38	176.61	39.23	45.10
GWUHP High Family	200	376.30	435.79	263.15	285.79
GWUHP High Employee & Dependent	164	326.84	379.14	213.69	229.14
GHA Comprehensive Individual	112	150.40	168.80	37.25	44.80
GHA Comprehensive Family	53	377.70	423.10	264.55	269.90
GHA Comprehensive Plus Individual	138	175.20	189.10	62.05	75.25
GHA Comprehensive Plus Family	30	432.20	466.35	319.05	332.05
Total GWUHP/GHA	2645				
TOTAL *Projected with 3 tier rates	6236				

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Revised: March 23, 1992

Monthly Health Premium Increases By Carrier

	'91-92	7-1-92 to 12-31-93	% Change
GHA	75,426	82,816	+9.80%
GWUHP	459,939	531,317	+15.52%
BC/BS	749,582	977,444	+30.14%
Overall	1,284,893	1,589,634	+23.72%

Note: These are for 18 month rates

[Any inquiries about this resolution should be directed to Professor Hill, Chair, ASPP Committee, Ext. 4-6761]

A RESOLUTION TO ENDORSE A NEW PERCENTAGE FORMULA FOR BASE AND MATCHING CONTRIBUTIONS TO THE UNIVERSITY'S RETIREMENT BENEFITS (91/8)

WHEREAS, the Appointment, Salary, and Promotion Policies Committee has unanimously approved and now submits to the Senate its "Report and Recommendation on the Reallocation of Funds within the Fringe Benefits Package"; and

WHEREAS, the Committee believes that a faculty recommendation should go forward to the President, concurrently with the recommendation of the Benefits Review Committee; NOW, THEREFORE

BE IT RESOLVED BY THE FACULTY SENATE OF THE GEORGE WASHINGTON UNIVERSITY;

. THAT the Faculty Senate endorse the percentage formula for base and matching contributions to retirement benefits which appears on Page 2 of the attached Committee Report.

Committee on Appointment, Salary, and Promotion Policies
(including Fringe Benefits)
March 10, 1992

March 10, 1992

To: The Faculty Senate of the George Washington University

Fr: The Committee on Appointment, Salary and Promotion Policies

Report and Recommendation on the Reallocation of Funds within the Fringe Benefits Package

The Committee's recommendation, below, is based on the well-argued premise that the University cannot at this time afford to fund fringe benefits in excess of 25% of total salary expense. Within this constraint, the steep increase now projected for health insurance premiums suggests the wisdom of shifting University funds from retirement benefits to health benefits. (Without such a reallocation, next year's salary raises for less well paid employees will be reduced, perhaps wiped out.) Increasing the University's contribution to health insurance premiums, however, means that "savings" must be effected in the other major component of fringe benefits: the retirement program.

Specifically, the Appointment, Salary, and Promotion Policies Committee concurs in the view of the Benefits Review Committee that "a reallocation of benefit dollars from the retirement program to health insurance benefits is appropriate, desirable, and necessary at this time."

Together, our two committees have sought to devise a formula for employer/employee contributions to a modified retirement program that has the following features:

(1) frees up sufficient University funds for a necessary increase in the University's contributions to employees' health insurance premiums;

(2) sets the University's base contribution to a retirement program at 4%, irrespective of employee contribution;

(3) allows employees to contribute matching funds on a one-to-one percentage basis up to a combined total contribution of 16%;

(4) allows newly-hired, previously-benefitting faculty to receive the University contributions to retirement on a non-vested basis until the end of their third year of employment; and

(5) complies with federal standards for economic non-discrimination.

(Note: Under Item 4, above, the saving that might have been effected by delaying a new employee's eligibility for the University's contribution to retirement for a three-year period would have made it difficult to hire new faculty, laterally, from institutions where they had participated in such programs. Under the proposed formula, newly-hired faculty (and employees generally) would receive the University contribution from the outset of employment, but that contribution would not be vested until the end of the third year.)

The proposed formula for base and matching contributions is as follows:

GW Contr.	GW Match 1% for 1% to Max of 6%	Indiv. Contr.	Total GW contr.	Total GW & Indiv.
4%	0%	0%	4%	4%
4%	1%	1%	5%	6%
4%	2%	2%	6%	8%
4%	3%	3%	7%	10%
4%	4%	4%	8%	12%
4%	5%	5%	9%	14%
4%	6%	6%	10%	16%

The BRC and ASPP Committees endorse this formula for the reallocation of benefit dollars, noting in the words of the BRC report that this is "not a recommendation for an overall reduction in fringe benefits, but for a careful and deliberate reallocation of one benefit to another." The overlapping membership of the two committees has produced a high degree of cooperation throughout lengthy and exhaustive deliberations. The Senate Committee is satisfied that no better alternative can be devised.

So that a Faculty recommendation may go forward to the President concurrently with the recommendation of the Benefits Review Committee, we ask the Faculty Senate to take appropriate action on this report and recommendation.